

State of the Commonwealth

Governor Ernie Fletcher

Tuesday, January 13, 2004, **EMBARGOED 7:01 pm**

President Williams, Speaker Richards, and members of the General Assembly;

Chief Justice Lambert and members of the Judiciary;

Cabinet officers and other members of the Executive branch;

Constitutional officers;

And my fellow Kentuckians:

I have been in office for just 36 days and during this honeymoon period, I have enjoyed the "amount" of press I've been getting. But it does remind me of what newly elected Governor Ronald Reagan said regarding his early press: "If this has been a honeymoon, then I've been sleeping alone."

But then I suppose that's good, as I'm reminded of what Senator Bob Dole once said: "Anything that keeps a politician humble is good for democracy."

[PAUSE]

Only eight years ago, I represented a small segment of Fayette County in this chamber. I know the dedication, the hard work, and sometimes thankless hours you members work to serve your districts in this commonwealth. I didn't always agree with the outcome of the vote tally on this floor. And I learned of unintended consequences. One of the earliest bills we passed, over my objection, was redistricting. My district was moved two counties to the north, preventing me from continuing to serve.

I imagine a few of you wish you could take that vote back now.

But that change led me to other pursuits.

Those pursuits, oddly enough, have returned me to this chamber tonight, to address this body on behalf of all Kentuckians. Clearly, what decisions we make will affect the lives of others in ways we may not immediately understand.

I appreciate your teamwork and your insight, and I look forward to continuing our work together... because this is where we stand:

[PAUSE]

The state of the commonwealth is as challenging as it has ever been in the modern age.

[PAUSE]

We are prepared for the challenge, but let's not mince words: this is a government with problems at its very core, and those problems have festered for decades.

From the organization of the budget... to the structure of the tax code... to the culture of state government itself... we will find a better way.

We didn't get into this spot overnight, and it's going to take time to get us out.

My plan is focused on improving economic opportunity throughout the commonwealth.

That will be accomplished first by reorganization. And second, by the overhauling of our budget priorities and policy.

First, reorganization.

[PAUSE]

We have begun the largest reorganization of Kentucky government in decades, and perhaps in the history of the state.

The analysis began months before the election, anticipating that if we won, we would be on a fast pace to get things done in the first weeks in office.

We have reduced the number of cabinets from 14 to 8, eliminating duplicate services, and imposing quantitative measurements of growth and quality of service.

We have brought in the best people our state has to offer to run these cabinets. Each is outstanding in their fields, and each has walked away from their regular jobs to contribute their talents to Kentucky.

This is only the beginning. As we continue to reorganize, we have to look at things at the nuts-and-bolts level.

Do we really need Economic Development offices within ten miles of one another?

Can't more than one of our 50 state parks be financially self-sufficient?

How does issuing a purchase order cost more than the thing we're buying?

As we drill down, this list is only going to get longer.

On January 6 we abolished the racing commission, and then reformed it new as the Kentucky Horse Racing Authority. That's for starters.

I am bringing into the Governor's Office an expert, known nationally for his ability to increase efficiency and productivity.

Tonight, I ask you for ratification of our first steps toward the most comprehensive reorganization in decades.

[PAUSE]

The call for change was precipitated by the budget crisis.

We have inherited a budget crisis not only between revenue and spending, but also in structure.

We have found a way to meet this year's shortfall of just over \$300 million, and we're already planning and saving for the shortfall dictated by that structure into next year's budget.

These choices did not come without criticism. But they were necessary to ensure Kentucky's future.

[PAUSE]

Structural reorganization is one pillar of change. Overhauling our budget priorities and policy is the other.

Over the years, state government has moved in many directions without the knowledge, skills or funding to finish the job.

Government cannot do everything, so we need to first decide what government ought to be doing... then figure out what it's capable of doing... and then follow the jobs we choose to completion.

We have to decide what to fund, put off, or do without.

I believe we should select priorities that move us toward a goal we all agree on: creating new economic opportunity.

That means giving our new graduates a reason to stay here...

Attracting new industries, and keeping the ones we already have...

Balancing growth and industry with the protection of our natural resources...

Making Kentucky a place where children get an education for the 21st century

workplace...

Ensuring accessible and affordable healthcare...

And fighting the scourge of illegal drugs.

This effort will begin by balancing our budget without raising taxes.

The budget we will present to you later this month will not be painless. But let me assure you, today's bitter pill will reduce tomorrow's pain.

Consider the problems we have to prioritize.

Economically, we have not kept up with the expansion of our neighboring states. Earnings per job in Kentucky are \$3000 below the national average.

Kentucky's economy will always include agriculture, mining and manufacturing, but high-tech is where the next generation of jobs lies, including advanced agriculture, manufacturing, clean coal technology, biotech and other knowledge-based industries.

That's why I've embraced the forward-looking work of the Office of the New Economy and "Connect Kentucky" to expand Internet access, because if we want to compete in the new economy, we have to be a wired state.

I want Kentuckians to get their fair share of new high-tech jobs. We have nowhere to go but up, because Kentucky is 29th in high-tech employment, 41st in the average high-tech wage, 43rd in R&D, and 46th in venture capital investments.

We'll attract those jobs to Kentucky by making this a business-friendly state. That's why I will work with you members of the legislature to make life easier for women and men who have small businesses, and to pass my Kentucky Jobs and Wages initiative.

And for those serving in our National Guard, thank you for your sacrifice, and let me assure you: we are recruiting, and help is on the way.

[PAUSE]

In education, the improvement over the last few years has given us a firm foundation to build on.

And I want to commend you, as well as our teachers across the commonwealth who have made that possible.

The major educational challenge of today is illiteracy. 60 percent of the prison population, and 90 percent of those on death row, can't read.

We're going to move forward on the "Read To Achieve" initiative to ensure that every child in the state can read at grade level by the end of the third grade.

The challenge is acute in minority communities, particularly in African-American communities, where twice the percentage of fourth graders read at only the novice level, compared to non-minorities.

Let me stop at this point and introduce our First Lady, Glenna.

[PAUSE FOR APPLAUSE]

Our First Lady will be promoting "Read to Achieve," and she is passionate about it. She will be driving home the point that reading is the foundation of every bit of learning and success in life.

Glenna, thank you for joining Senator Kelly and Speaker Richards to take on this job.

[PAUSE]

In higher education, we have asked our universities, along with the rest of state government, to make some sacrifices in the short term. But, be assured I understand and strongly support the essential role of higher education.

We have one of the nation's leading transplant centers, and our colleges and universities are making research advances in biotechnology, nanotechnology and other disciplines. This is the kind of work that helps bring more high-tech jobs to the state—and introduces our young people to opportunities they might like to pursue.

And, as I have pledged, we are going to bring a federal research lab to Kentucky.

[PAUSE]

Healthcare is a part of opportunity, too. Because if you want to work here, you have to want to live here. And living anywhere demands access to top-flight healthcare.

But we have problems.

The cost of healthcare is growing out of control.

Medicaid is failing to meet its obligations, especially to seniors in long-term care.

We are sorely lacking in public education on healthy habits of living.

Compared to the rest of the country, we get less physical exercise, and have more diabetes, cancer, and heart disease.

We need health insurance reform for the individual market and for state employees.

We need to promote preventive medicine.

These issues are especially important to me—which is why we will modernize Medicaid to make it easier to access, and to empower people to take control of their own healthcare.

That's why we're going to educate Medicaid recipients about preventive care.

And that's why we're cultivating new competition in the insurance market, to bring new providers back to the state so we can have lower rates for Kentuckians.

We have begun work on a medical liability program to stop the flood of doctors heading out of the state. President Williams has made this issue a priority, and I am pleased that today, Senate Bill 1 was passed by the Senate's State and Local Government Committee.

I know the House shares our desire to improve Kentucky's health, and I ask for your leadership to help us move this forward.

And there's a drug problem in this state that's destroying our communities and our young people, whether it's methamphetamine made in somebody's garage or inappropriate prescriptions for Oxy-Contin.

Our Lt. Governor Steve Pence also serves as Cabinet Secretary of Justice—we're getting two jobs for the price of one out of him. Just last week, he met with Attorney General Stumbo so they can find ways to fight this problem.

Lt. Governor Pence will convene a working summit of leaders as the first step toward a comprehensive plan for education, prevention, treatment and rehabilitation.

We must move beyond, just being "tough on crime" to being "effective on crime," not only for the sake of those caught in the jaws of addiction but also for the taxpayer who foots the bill.

[PAUSE]

Our economy has changed over the years—but you wouldn't know that to look at the tax code. The basis for funding government has to reflect the nature of the state's economy.

That's why we need a tax modernization plan that does not increase the tax burden on Kentuckians.

[PAUSE]

Half-measures won't get it. If we change one tax this year, and change another a couple of years down the road, we're missing the point.

This is comprehensive change in the way we do business to reflect the new economy, and to attract the human capital we need.

It will ease our budget problems in the future by growing our economy—not growing the tax burden. And it will ensure fairness for our low-income citizens, who today bear one of the heavier tax burdens in any state.

I know that elections are this year, and the easy answer is to put it off.

But, I ask you to join me to accomplish this long-overdue goal.

Constitutionally, this work must begin in the House. I offer to work in a bipartisan, bicameral way, and at the earliest opportunity, to tackle this challenge. The longer we wait, the longer we withhold expanded opportunity for those at whose pleasure we serve.

[PAUSE]

In closing, let me thank both sides of the aisle for how you've received me. This means a great deal to me, and it will mean a great deal to the people of the commonwealth as we work through these challenges together.

The people we represent expect fiscal and personal integrity from us, and that's what we'll deliver.

We're going to work together, and we're scheduling one-on-one meetings between each legislator and me. I want to know what you're thinking, and what your constituents are thinking.

There isn't going to be money for every project.

There “is” going to be some "doing without" so we can pay, for what we agree together, is most vital.

(Pause)

The state of the commonwealth is challenging, but we are more than prepared for that challenge.

Let us pledge together for all Kentuckians to restore hope and opportunity.

Thank you, and God bless Kentucky.